BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Infoline

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- **BC posts highest inflation among the provinces in February**
- **The number of youth court cases per 10,000 youth has dropped 24% over the last five years**
- **24% of the BC workforce is within 10 years of retiring**

Prices

- **Consumer prices in British Columbia were 1.4% higher in February than in the same month of 2003**. This is down marginally from January's inflation rate of 1.5%. A drop in transportation costs (-1.0%), especially gasoline (-2.5%), was the main factor easing overall inflation in February. *Data Source: Statistics Canada*

- **Despite the slight drop in BC's inflation rate, the province had the highest inflation in the country last month**. This was due to a major slowdown in inflation at the national level, as the 12-month increase in the CPI dropped to its lowest level in almost two-and-a-half years. Across the country inflation averaged 0.7% and every province other than BC had inflation below 1.0%. Several provinces—Nova Scotia (-0.1%), Manitoba (-0.1%), and New Brunswick (-0.2%)—experienced slight deflation. Deflation in any province has not been recorded for over two years.

  Across cities in Canada, inflation was highest in Victoria (+1.5%), followed by Calgary (+1.3%), and Vancouver and Toronto (both +1.2%).

  Data Source: Statistics Canada

- **Energy prices were a principal cause of the divergence of inflation rates between Canada and BC**. Nationally, energy prices dropped 3.1%, while in BC energy prices were down only slightly (-0.5%). This accounts for about half of the difference between inflation rates for the two regions. *Data Source: Statistics Canada*

The Economy

- **Shipments of goods manufactured in BC edged up 0.5% (*seasonally adjusted*) in January**. Shipments from wood manufacturers (+4.5%) were the main factor in the increase, followed by shipments from food manufacturers (+2.8%). Paper products, in contrast, were down 4.7%. As well, many of the manufacturing goods related to the mining industry—fabricated metals (-4.9%), non-metallic minerals (-5.7%), and petroleum & coal (-2.7%)—were down significantly.

  The three largest manufacturing industries in January were wood (28% of shipments), paper (14%) and food (13%). The next largest industry—machinery products—made up only 5% of manufacturing shipments.

  Nationally, manufacturing shipments inched downward 0.2% in January. New Brunswick showed the largest downturn (-11.1%), while neighbouring Nova Scotia (+2.6%) posted the largest increase. *Data Source: Statistics Canada*

- **Purchases of new motor vehicles in the province continued to fall (-3.9% *seasonally adjusted*) in January**. Vehicle sales have been in decline for 12 out of the last 18 months. Nationally, new vehicle sales edged up 1.3%. Sales of North American manufactured cars gained ground (+2.2%) partly at the expense of overseas cars (-1.5%). *Data Source: Statistics Canada*

- **The number of visitors entering Canada via BC was down 3.7% (*seasonally adjusted*) in January**. This was the largest monthly decline since last March, and was driven by fewer visitors from the US (-4.6%). Visitor entries from overseas countries were virtually unchanged (+0.5%). There was a small drop in visitors from Europe (-1.1%), offset by more visitors from Asia (+0.7%) and Australia (+5.0%).

  Nationally, visitor entries to Canada fell by 4.9%. Entries from both the US (-5.3%) and overseas (-1.4%) were lower than in the previous month. *Data Source: BC Stats and Statistics Canada*

Report Is Canada Best Country in which to Invest?

Got Milk?
Canadians purchased 264 million litres of milk and cream in January.

Youth Court

- **Roughly 7,500 criminal cases appeared before youth courts in BC in 2002/03**. Nearly two-thirds (62%) of cases resulted in conviction. The most frequently assigned sentence was probation (74% of convictions). A further 30% of convictions resulted in community service, and 32% resulted in a custody sentence. (Note that sentences are not mutually exclusive. For example, offenders sentenced to custody are often also subject to probation upon their release.)

  Data Source: SC, Catalogue no. 85-002-XPE. Vol. 24(2)

- **BC has one of the lowest rates of youth court cases in Canada**. There were 233 cases per 10,000 young people in BC in 2002/03. Only Quebec had a lower rate of youth court cases (156 per 10,000 youth). Across Canada the rate is 338, and reaches as high as 818 in Saskatchewan.

  Prosecution policies on the part of crown counsels seem to play a significant role in shaping the rate of youth court cases. Provinces with low rates of court cases tend to have higher conviction rates. In Quebec, where the court rates are lowest, the conviction rate is 70%. In Saskatchewan, where the court rate is highest, the conviction rate is only 53%.

  BC fits well with the Quebec model: a below average court rate and an above average conviction rate (62%). This seems to reflect an effort to keep young people out of the criminal justice system in circumstances of minor offences and questionable cases. Crown prosecutors can achieve this by greater use of diversion programs and pre-charge screening.

  Data Source: SC, Catalogue no. 85-002-XPE. Vol. 24(2)

- **The rate of youth court cases in BC has declined 24% over the last five years, reflecting a growing effort to divert young people from the criminal justice system**. The court rate has fallen in almost all provinces, with a decline of 11% for Canada as a whole since 1998. In Saskatchewan, in contrast, there has been an increasingly intensive prosecution of young people. Saskatchewan already had the highest youth court rate (682 per 10,000 youth in 1998), and it has risen 20% to 818 per 10,000 youth in 2002/03. *Data Source: SC, Catalogue no. 85-002-XPE. Vol. 24(2)*

Approaching Retirement

- **The near-retirement rate—the share of the workforce within 10 years of the median retirement age—has** risen dramatically over the last 15 years in BC. The near-retirement rate was 23.6% in 2002, more than double the rate in 1987 (11.3%). This points to a potentially serious labour shortage in the coming years, suggesting higher wages, delayed retirement, younger labour force entrance, fewer years of schooling, increasing immigration, and adoption of labour-saving technology.

  Nationally, the near-retirement rate was lower than in BC, at 19.8%. Rates were much higher in the public sector (33.4%) than in the private sector (15.6%). Rates were particularly high in education (39.3%). Accommodation and food services, which employ a large number of young people, had the lowest proportion of those close to retiring (11.2%). Near retirement was also relatively low in construction (14.5%) and trade (14.7%).

  The highest near-retirement rate was in PEI (24.9%), while BC had the second highest rate. Near-retirement in Saskatchewan is very low (13.8%), and has actually fallen since 1987. Alberta also has a low near-retirement rate (15.0%). *Data Source: SC, Catalogue no. 75-001-XIE. Vol. 5(2)*

The Nation

- **There were 1.6 million registered firearm owners in Canada as of March 1st, 2004**. The number of registered guns has reached 6.8 million (4.3 per registered owner). In 2001, it was estimated that there were 7.9 million firearms in Canada, suggesting that 1.1 million firearms (14%) have yet to be registered.

  Data Source: Canadian Firearms Center

- **Industrial capacity utilization was 82.0% in Canada last year, a marginal decrease from 2002 (-0.3 percentage points)**. Oil and gas extraction had the lowest capacity utilization rate (63.1%). Forestry and logging had the highest capacity utilization among the major industries (90.7%). *Data Source: Statistics Canada*

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Infoline Report

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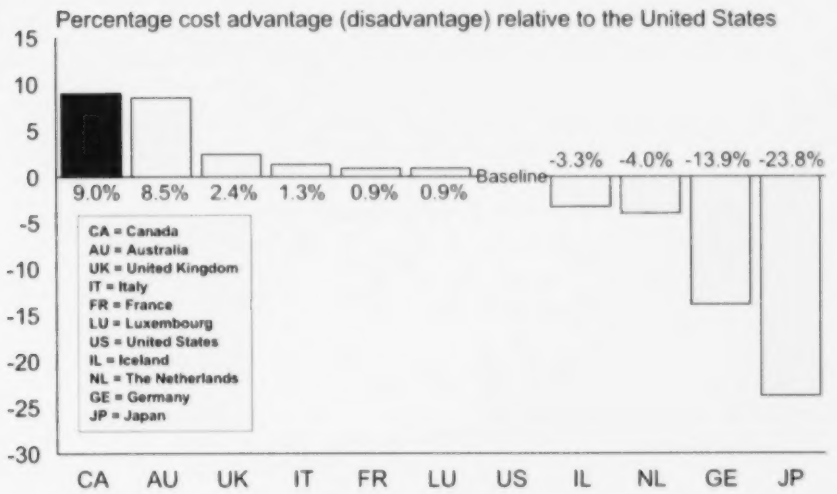
Originally published in *Business Indicators*, Issue 04-02. Annual Subscription$60 +GST

Is Canada the Best Country in Which to Invest?

According to a recent study conducted by KPMG, of 11 top industrial countries, Canada ranks first in terms of competitiveness for business costs.[1] The research measured the combined impact of 27 cost components and found that despite the rapid appreciation of the Canadian dollar over the last year, Canada still maintains a nine per cent cost advantage relative to the United States.

Compared to similar research conducted in 2002, the gap between Canada and the United States has narrowed. In 2002, Canada had a 14.5% advantage over the United States, but the rapid appreciation of the loonie compared to the American greenback has reduced some of Canada's advantage. However, the study suggests that even were the Canadian dollar to gain 20 per cent in value compared to its American counterpart (to about US $0.93), Canada would still hold a slight advantage (about 1.3%) in terms of cost competitiveness with the United States. In fact, only Australia and the United Kingdom would be in a better position than Canada, assuming their currencies remained unchanged relative to the American dollar, which would be extremely unlikely, since if Canada's currency appreciates by 20%, other currencies will probably also gain on the US buck.

Canada ranked first among the countries studied in terms of cost competitiveness for business



Source: KPMG

[1] KPMG, *Competitive Alternatives: The CEO's Guide to International Business Costs*, 2004 Edition. The 11 countries studied were France, Germany, Iceland, Italy, Luxembourg, the Netherlands, the United Kingdom, Canada, the United States, Australia and Japan

Canada ranked first in nine of 17 industry groups examined, with only Australia rated higher in the remaining eight sectors.[2] Australia was rated second overall to Canada, with a relative cost advantage of 8.5% compared to the United States. Third-ranked United Kingdom had a significantly lower cost advantage of only 2.4%.

Canada's most significant business cost advantage is in research and development (R&D). Overall, R&D costs in Canada are 21.0% lower than in the United States, just slightly better than second-ranked Australia (20.5%). Within R&D, Canada's largest cost gap is in product testing (24.7%), although Australia (28.3%) has an even more significant cost advantage relative to the United States. Canada is well ahead of the other countries studied in terms of costs of clinical trials of new drugs (22.4% cost advantage) and biotechnology R&D (16.6%).

According to the KPMG study, labour represents the most significant portion of location-sensitive costs, ranging from 56 to 72 per cent of these costs for manufacturing enterprises and 75 to 85 per cent for non-manufacturing businesses. Total labour costs, including benefits, are lowest in Canada, which is why Canada ranks at or near the top of all the industries examined in terms of competitiveness.[3]

Regionally, Vancouver is the most expensive place in which to do business of the 39 Canadian cities studied; however, it still is more competitive than any of the 44 American cities that were included in the study. In fact, Vancouver, with a 6.4% advantage, fared better than any city outside Canada with the exception of four of the five cities surveyed in Australia. Kelowna, with a 10.3% cost differential, bested all non-Canadian cities, but ranked only 23rd among the 39 Canadian cities, tied with St. Johns, Newfoundland and Belleville, Ontario. The only other BC city included in the study was Chilliwack, with a 9.5% competitive cost advantage, ranking it ahead of all non-Canadian cities except Adelaide, Australia (9.6%) and 29th out of 39 Canadian cities, tied with Regina, Saskatchewan and Winnipeg, Manitoba.

Canada's Business Cost Index (USA=100)

Industry	Index	Rank
Product testing	75.3	2
Clinical trials	77.6	1
Biotechnology	83.4	1
Software design	86.4	2
Web & multimedia	87.5	2
Back office/call centres	88.3	1
Precision mfg	91.8	2
Aerospace	92.9	1
Electronics	93.2	1
Automotive	93.6	2
Plastics	93.6	2
Metal components	93.7	2
Chemicals	93.9	1
Pharmaceuticals	94.0	1
Medical Devices	94.4	1
Agri-food	95.3	2
Telecommunications	95.7	1

Source: KPMG

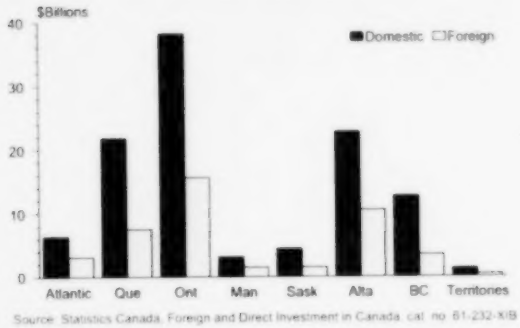
The fact that, in 2002, cities in BC were less cost competitive compared to elsewhere in Canada is consistent with provincial data on foreign and direct investment. According to Statistics Canada, in 2002, approximately 11.5% of domestic capital investment and 8.0% of foreign capital investment was directed toward British Columbia. This is less than BC's GDP share of 11.9% in 2002. By comparison, Alberta, with 11.7% of Canada's GDP, received 20.7% of domestic

[2] The overall cost advantage is calculated based on only 12 of these to be consistent with the 2002 study.

[3] Canada's average labour costs per employee were calculated as US $50,919 compared to second-ranked Australia at US $54,933.

capital expenditures and 24.1% of foreign expenditures.[4]

BC attracted less investment compared to Alberta in 2002



Source: Statistics Canada, Foreign and Direct Investment in Canada, cat. no. 61-232-XIB

BC attracted 11.9% of Canada's foreign capital investment from the United Kingdom, the province's highest share for any of the countries reported; however, the United Kingdom was the source of only 2.5% of Canada's total foreign capital investment. For the United States, which is the source of the large majority (71.8% in 2002) of Canada's foreign capital investment, BC was the destination for only 9.5% of capital expenditures.

Although the capital investment data by province seems to support the findings of the KPMG study on business costs competitiveness, it appears that international investment figures do not. Despite the fact that foreign direct investment (FDI) in Canada increased from $130.9 billion in 1990 to $349.4 billion in 2002, an increase of 267%,[5] according to the Conference Board of Canada, this did not translate into a larger share of overall global investment. In fact, quite the opposite is true. A study by the Conference Board found that Canada managed to attract 7.1% of global FDI in 1985, but that share fell to just 2.9% in 2001.[6]

These figures seem to indicate that either the rest of the world has not figured out that Canada is the best place in which to invest, or the factors investigated by KPMG are not the most important considerations for investors.

The Conference Board report suggests that taxation levels may be the reason for the falling share of FDI; however, the KPMG report found that corporate income tax levels were lower in Canada than in the United States. Most notably, for non-manufacturing research and development Canada provided an average 5.5% subsidy compared to a 20.1% tax in the United States. Canada was at a cost disadvantage for some non-income-based taxes, such as property tax, but was still reasonably competitive with the United States.

Another possible explanation for the disconnect between the KPMG results and the current level of FDI in Canada is productivity. Canada lags well behind the US in terms of productivity, which could explain the hesitance to invest here.[7] In other words, Canadian workers may be paid less, but they also produce less.

There are likely several factors contributing to the productivity gap between Canada and the US. One of the reasons could be the relatively

[4] Data on foreign and domestic capital investment by province is derived from Statistics Canada's publication: *Foreign and Domestic Investment in Canada*, catalogue no. 61-232-XIB.

[5] Statistics Canada, Canada's International Investment Position—Third Quarter 2003, catalogue no. 67-202.

[6] These numbers are gleaned from the Conference Board of Canada's news release 03-62 and are based on the study entitled *What Drives Foreign Direct Investment? The Role of Taxation and Other Factors.*

[7] Industry Canada, the Conference Board of Canada and the Centre for the Study of Living Standards all suggest that the productivity gap between Canada and the United States is quite significant, ranging from 15 to 20% over the last decade, or even higher depending on the industry.

low value of the Canadian dollar over the last decade. While the low dollar may have helped Canadian exporters gain a cost advantage over their competitors, it also made capital improvements more expensive because the cost of importing machinery and equipment from the US was higher. It is possible that Canadian companies put off making capital improvements that would boost productivity because the costs didn't warrant the investment, particularly when the low dollar helped them remain competitive without the investment in new equipment.

With the rapid appreciation of the Canadian dollar over the last year, it is possible that Canadian companies will now be encouraged to make those capital improvements that were previously put off and thereby increase their productivity. It is difficult to say what effect an increase on productivity would have on wage rates in Canada. It is possible that Canada's current number one ranking in terms of wage competitiveness could disappear.

The KPMG study made assumptions that capital and technology, along with physical productivity of the workers, were equal for all the countries examined. In reality, this does not appear to be the case. While the study paints a promising portrait of Canada as a place to invest, perhaps it should be viewed as only one piece of a more complicated puzzle.

Infoline

March 19, 2004

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also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Oct 1/03	% change on one year ago
BC	4,158.6	0.8
Canada	31,714.6	0.8
GDP and INCOME		
(BC - at market prices)	2002	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	135,552	2.7
GDP *($ 1997 millions)*	128,151	2.4
GDP *($ 1997 per Capita)*	31,143	1.5
Personal Disposable Income *($ 1997 per Capita)*	19,576	0.1
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Jan	3,095	0.5
Merchandise Exports - Jan	2,209	-4.1
Retail Sales - Dec	3,409	-0.5
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Feb '04	% change
BC	121.3	1.9
Canada	123.2	2.2
LABOUR FORCE (thousands)		
(seasonally adjusted)	Feb '04	% change on prev. month
Labour Force - BC	2,211	-1.1
Employed - BC	2,036	-1.8
Unemployed - BC	174	6.8
		Jan '04
Unemployment Rate - BC *(percent)*	7.9	7.3
Unemployment Rate - Canada *(percent)*	7.4	7.4
INTEREST RATES (percent)	Mar 17/04	Mar 19/03
Prime Business Rate	4.00	4.75
Conventional Mortgages - 1 year	4.30	5.10
- 5 year	5.70	6.60
US/CANADA EXCHANGE RATE	Mar 17/04	Mar 19/03
(avg. noon spot rate) Cdn $	1.3411	1.4804
US $ *(reciprocal of the closing rate)*	0.7471	0.6745
AVERAGE WEEKLY WAGE RATE		
(industrial aggregate - dollars)	Feb '04	% change on one year ago
BC	684.78	0.8
Canada	678.61	3.0

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Provincial Electoral District *Profiles*

We have just added additional area profiles based on the 2001 Census to our site. Each 18-page profile details the demographic and dwelling characteristics in a series of charts and tables. The comparative charts, sorted data, share calculations, 2001 election results, and links to maps provide a ready and comprehensive overview of each riding.

The PED profiles have been added to our general 2001 Census Profile page. Other new additions to this page are profiles for Vancouver Island and for each of the eight development regions. This completes our census profile development for the 2001 Census.

PED profiles:

www.bcstats.gov.bc.ca/data/cen01/profiles/csd_txt.htm#PED_mark

2001 Census profiles:

www.bcstats.gov.bc.ca/data/cen01/profiles/csd_txt.htm

Released this week by BC STATS

- Labour Force Statistics, February 2004
- Small Business Quarterly, 4th Quarter 2003
- Consumer Price Index, February 2004

Next week

- Current Statistics, March 2004

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